

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6769

BILL NUMBER: HB 1088

NOTE PREPARED: Dec 26, 2005

BILL AMENDED:

SUBJECT: Companion Animal Tax.

FIRST AUTHOR: Rep. Saunders

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that claims for: (1) certain animals killed or maimed by dogs; and (2) certain expenses for taking the Pasteur treatment for rabies following a dog attack; are chargeable to the county in which the dog attack occurs. The bill requires township trustees to verify claims and submit verified claims to the county auditor for payment.

The bill provides for a Local Option County Companion Animal Tax, not to exceed \$5 per companion animal. It also provides for a Municipal Option Dog Tax of \$2 per dog, which may be imposed in addition to the Local Option County Companion Animal Tax.

The bill abolishes the state-mandated Dog Tax. It eliminates the Dog Account of the state General Fund, county dog funds, and township dog funds, and provides for the disposition of money in the account and the funds.

Effective Date: January 1, 2007.

Explanation of State Expenditures: *Transition of Revenue in Current Account.* The bill repeals current statute which requires counties to annually transfer all remaining funds from their county dog fund to the State Auditor (State Dog Account of the state General Fund). The bill allows for the disbursement of any remaining funds from the State Dog Account. [Disbursement Procedure: If any money remains in the State Dog Account on December 31, 2006, the State Auditor must on January 1, 2007, distribute 50% to Purdue University for the School of Veterinary Science and Medicine to be used solely for canine disease research. The remaining 50% must be distributed to the counties that paid to the Auditor of State the surplus money remaining in the counties' county dog funds on May 1, 2006. Each county's share of the total amount distributed must be

proportional to the county's share of the total amount paid in 2006.]

State Auditor's Office: The administrative changes in the implementation and administration of the State Dog Tax are expected to result in a minimal decrease in the administrative costs of the Auditor of State's office. Under current law, the Auditor's office is responsible for distributing dog tags to townships, paying claims against the funds, distributing funds to Purdue University, and redistributing a portion of any surplus money in the Dog Fund back to the counties.

Cost of Manufacturing Dog Tags: Under current law, dog kennels are required to pay a licensing fee of \$30 for 15 or more dogs and \$20 for less than 15 dogs. The township assessor then provides a metallic tag for each dog. This bill would eliminate the current law. The tags are currently produced by PEN Products and are paid for with funds from the State Dog Account. PEN Products collected \$53,946 for the production of dog tags in FY 2005. Sales revenue is deposited in the Industry and Farm Products Revolving Fund. This requirement of the bill would result in a reduction in revenue for PEN Products in the amount of approximately \$54,000 annually.

The Department of Correction (DOC) reports that the production of dog tags is maintained by 3 or fewer inmates at any given time. These individuals are also responsible for the production of fish net tags and key chits. Dog tag production, however, represents 90% of production. The number of offenders working fluctuates with the number of orders, the order quantity, and the required delivery date from customers.

Background Information: Counties remitted \$233,253 in surplus Dog Tax revenue to the Auditor of State during FY 2004. Under current law, Dog Tax receipts are used to reimburse the state for the cost of dog tags, maintain a reserve balance in the fund, and pay claims not previously paid by counties or townships. Fifty percent of any remaining funds are distributed (up to \$100,000) to Purdue University for canine research. The remaining balance is distributed back to the counties. Counties and townships currently use money in the local, county, and state Dog Tax funds to pay claims related to damages to livestock by dogs and for rabies testing and treatment for persons bitten by a rabid dog.

Explanation of State Revenues: *Penalty Provision:* The bill repeals current statute which makes it a Class C infraction for a township assessor, assessor's designee, or township trustee to (1) fail to perform the duties relating to dog tax collections, or (2) fail to complete a report within the time specified in statute. The maximum judgment for a Class C infraction is \$500, which would be deposited in the state General Fund. However, any reduction in revenue is likely to be small. There is no data which indicates the number of persons convicted of this offense.

Explanation of Local Expenditures: *County:* The fiscal body of a county may adopt an ordinance to impose a tax for each companion animal (dogs and/or cats). They also may designate one or more persons to collect the tax. The repeal of IC 15-5-9 removes the responsibility of administering the Dog Tax and dog fund from county auditors. Counties would still be responsible for payment of claims submitted by persons for damages, less compensation by insurance or otherwise, sustained by owners for specific stock, fowl, or game, killed or maimed by a dog; and for paying for the Pasteur treatment for hydrophobia for a person that has been bitten by or exposed to a dog known to have hydrophobia. The bill does not specify an appropriation for payment of claims. During FY 2005, claims paid from the Dog Fund totaled \$63,182. An additional \$28,211 in claims are unpaid at this time.

Township trustees would be responsible for verifying and forwarding claims to the county auditor. A portion

of township trustees currently verify these claims. The bill requires county auditors to establish procedures and create forms for the submission of claims to the county auditor by township trustees.

Explanation of Local Revenues: *County Option Tax for Companion Animals:* This bill allows the fiscal body of a county to adopt an ordinance to impose a tax for each companion animal that a person harbors or keeps in or near the person's premises in the county. The ordinance must state whether the tax is imposed on dogs, cats, or both. The tax may not exceed \$5 per year for each companion animal. Money derived from the tax, less any fees, is to be deposited in the County Companion Animal Fund. Money in the fund may be used for any lawful purpose.

Based on data from the American Veterinary Medical Association, there are approximately 1.2 million dogs and 1.6 million cats in the state. If each of these animal's owners were to remit the Companion Animal Tax, revenue could equal up to \$14 M statewide each year if a \$5 fee were charged for each companion animal. The fiscal body of a county may designate one or more persons to collect the tax. A designee may retain a fee from the tax not to exceed \$0.75.

Humane Societies: Money may also be appropriated from a county companion animal fund for use by an animal care facility if the tax was imposed on both dogs and cats. The facility must use the funds to build, maintain, or operate the animal care facility; and/or to perform animal control functions.

Municipal Dog Tax: The fiscal body of a municipality may levy a tax of up to \$2 for each dog. The fiscal body of a municipality must determine the manner in which the tax is to be collected. The tax may be expended for any lawful purpose of the municipality. This requirement of the bill reflects current statute. No additional revenues are anticipated.

Penalty Provision: If fewer court actions are filed, local governments would receive a reduction in revenue from court fees. However, any reduction in revenue is likely to be small.

State Agencies Affected: Auditor of State; Purdue University.

Local Agencies Affected: Township Assessors; County Assessors; County Auditors; County Treasurers; Township Trustees; Trial Courts; Local Law Enforcement Agencies.

Information Sources: American Veterinary Medical Association; Tim Brown, Department of Correction.

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